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 Systems, Inc., Zaki Rakib, Jerry D. Chase, Mark A.
 Richman, Edward Lopez, Ray Fritz, Carol
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 Sabella, Christopher Schaepe, Mark Slaven, Lewis
 Solomon, Howard W. Speaks, Arthur T. Taylor, and
 David Woodrow

UNITED STATES DISTRICT COURT
 NORTHERN DISTRICT OF CALIFORNIA

ADRIAN MONGELI, Individually, And On)
 Behalf Of All Others Similarly Situated,)

Plaintiffs,)

v.)

TERAYON COMMUNICATION SYSTEMS,)
 INC., ZAKI RAKIB, JERRY D. CHASE,)
 MARK A. RICHMAN, EDWARD LOPEZ,)
 RAY FRITZ, CAROL LUSTENADER,)
 MATTHEW MILLER, SHLOMO RAKIB,)
 DOUG SABELLA, CHRISTOPHER)
 SCHAEPE, MARK SLAVEN, LEWIS)
 SOLOMON, HOWARD W. SPEAKS,)
 ARTHUR T. TAYLOR, DAVID)
 WOODROW, and ERNST & YOUNG, LLP,)

Defendants.)

CASE NO.: C 06-03936 CW

CLASS ACTION

**[PROPOSED] ORDER
 PRELIMINARILY APPROVING
 SETTLEMENT AND PROVIDING FOR
 NOTICE**

Date: April 3, 2008
 Time: 2:00 p.m.
 Courtroom: 2, 4th Floor
 Judge: Hon. Claudia Wilken

1 WHEREAS, a class action is pending before the Court entitled *Mongeli v. Terayon*
 2 *Communication Systems, Inc.*, No. 3-06-CV-03936 CW (the “Litigation”);

3 WHEREAS, the Court has received the Stipulation of Settlement dated as of February 28,
 4 2008 (the “Stipulation”), that has been entered into by the Lead Plaintiff and Defendants, and the
 5 Court has reviewed the Stipulation and its attached Exhibits;

6 WHEREAS, the parties having made application, pursuant to Federal Rule of Civil
 7 Procedure 23(e), for an order preliminarily approving the settlement of this Litigation, in
 8 accordance with the Stipulation which, together with the Exhibits annexed thereto sets forth the
 9 terms and conditions for a proposed settlement of the Litigation and for dismissal of the
 10 Litigation with prejudice upon the terms and conditions set forth therein; and the Court having
 11 read and considered the Stipulation and the Exhibits annexed thereto; and

12 WHEREAS, all defined terms contained herein shall have the same meanings as set forth
 13 in the Stipulation;

14 NOW, THEREFORE, IT IS HEREBY ORDERED:

15 1. The Court does hereby preliminarily approve the Stipulation and the settlement
 16 set forth therein, subject to further consideration at the Settlement Hearing described below.

17 2. A hearing (the “Settlement Hearing”) shall be held before this Court on _____,
 18 2008, at ___:___ __.m., at the United States Courthouse, 1301 Clay Street, Oakland, California, to
 19 determine whether the proposed settlement of the Litigation on the terms and conditions
 20 provided for in the Stipulation is fair, reasonable and adequate to the Class and should be
 21 approved by the Court; whether a Judgment as provided in ¶1.14 of the Stipulation should be
 22 entered herein; whether the proposed Plan of Allocation should be approved; and to determine
 23 the amount of fees and expenses that should be awarded to Lead Counsel. The Court may
 24 adjourn the Settlement Hearing without further notice to Members of the Class.

25 3. The Court approves, as to form and content, the Notice of Pendency and Proposed
 26 Settlement of Class Action (the “Notice”), the Proof of Claim and Release form (the “Proof of
 27 Claim”), and Summary Notice for publication annexed as Exhibits A-1, A-2 and A-3 hereto, and
 28 finds that the mailing and distribution of the Notice and publishing of the Summary Notice

1 substantially in the manner and form set forth in ¶¶4-5 of this Order meet the requirements of
2 Federal Rule of Civil Procedure 23 and due process, and is the best notice practicable under the
3 circumstances and shall constitute due and sufficient notice to all Persons entitled thereto.

4 4. Pursuant to Rule 53(c) of the Federal Rules of Civil Procedure, the Court appoints
5 The Garden City Group, Inc. ("Claims Administrator") to supervise and administer the notice
6 procedure as well as the processing of claims as more fully set forth below:

7 (a) Not later than _____, 2008 (the "Notice Date"), Lead Counsel shall
8 cause a copy of the Notice and the Proof of Claim, substantially in the forms annexed as Exhibits
9 A-1 and A-2 hereto, to be mailed by first class mail to all Class Members who can be identified
10 with reasonable effort;

11 (b) Not later than _____, 2008, Lead Counsel shall cause the Summary
12 Notice to be published once in *Investor's Business Daily*; and

13 (c) At least seven (7) calendar days prior to the Settlement Hearing, Lead
14 Counsel shall cause to be served on Defendants' counsel and filed with the Court proof, by
15 affidavit or declaration, of such mailing and publishing.

16 5. Nominees who purchased Terayon publicly-traded securities between June 28,
17 2001 and March 1, 2006, shall send the Notice and the Proof of Claim to all beneficial owners of
18 such Terayon securities within ten (10) days after receipt thereof, or send a list of the names and
19 addresses of such beneficial owners to the Claims Administrator within ten (10) days of receipt
20 thereof, in which event the Claims Administrator shall promptly mail the Notice and the Proof of
21 Claim to such beneficial owners. Lead Counsel shall, if requested, reimburse banks, brokerage
22 houses or other nominees solely for their reasonable out-of-pocket expenses incurred in
23 providing notice to beneficial owners who are Class Members out of the Class Notice and
24 Administration Fund, which expenses would not have been incurred except for the sending of
25 such notice, subject to further order of this Court with respect to any dispute concerning such
26 compensation.

27 6. All Members of the Class shall be bound by all determinations and judgments in
28 the Litigation concerning the settlement, whether favorable or unfavorable to the Class.

1 7. Class Members who wish to participate in the settlement shall complete and
2 submit Proof of Claim forms in accordance with the instructions contained therein. Unless the
3 Court orders otherwise, all Proof of Claim forms must be postmarked no later than ninety (90)
4 days from the Notice Date. Any Class Member who does not timely submit a Proof of Claim
5 within the time provided for shall be barred from sharing in the distribution of the proceeds of
6 the Net Settlement Fund, unless otherwise ordered by the Court.

7 8. Any Person who desires to request exclusion from the Class shall do so within the
8 time set forth and in the manner described in the Notice. All Persons who submit valid and
9 timely requests for exclusion in the manner set forth in the Notice shall have no rights under the
10 Stipulation, shall not share in the distribution of the Net Settlement Fund, and shall not be bound
11 by the Stipulation or the Judgment entered in the Litigation.

12 9. Any Member of the Class may enter an appearance in the Litigation, at their own
13 expense, individually or through counsel of their own choice. If they do not enter an appearance,
14 they will be represented by Lead Counsel.

15 10. Any Member of the Class may appear and show cause, if he, she or it has any
16 reason, why the proposed settlement of the Litigation should or should not be approved as fair,
17 reasonable and adequate, why a judgment should or should not be entered thereon, why the Plan
18 of Allocation should or should not be approved, or why attorneys' fees and expenses should or
19 should not be awarded to Lead Counsel; provided, however, that no Class Member or any other
20 Person shall be heard or entitled to contest the approval of the terms and conditions of the
21 proposed settlement, or, if approved, the Judgment to be entered thereon approving the same, or
22 the order approving the Plan of Allocation, or the attorneys' fees and expenses to be awarded to
23 Lead Counsel, unless that Person has delivered by first class mail written objections and copies
24 of any papers and briefs such that they are received on or before _____, 2008, by: Saxena
25 White, P.A., c/o Joseph E. White III, 2424 North Federal Highway, Suite 257, Boca Raton, FL
26 33431, Kahn Gauthier Swick, c/o Lewis S. Kahn, 650 Poydras St., Suite 2150, New Orleans, LA
27 70130, Morgan, Lewis & Bockius LLP, c/o John Hemann One Market Spear Street Tower, San
28 Francisco, CA 94105, and Latham & Watkins LLP, c/o Patrick E. Gibbs, 140 Scott Drive, Menlo

1 Park, CA 94025, and filed these objections, papers and briefs with the Clerk of the United States
2 District Court for the Northern District of California, 1301 Clay Street, Oakland, California, on
3 or before _____, 2008. Any Member of the Class who does not make his, her or its objection
4 in the manner provided shall be deemed to have waived such objection and shall forever be
5 foreclosed from making any objection to the fairness or adequacy of the proposed settlement as
6 set forth in the Stipulation, to the Plan of Allocation, or to the award of attorneys' fees and
7 expenses to Lead Counsel, unless otherwise ordered by the Court.

8 11. All funds held by the Escrow Agent shall be deemed and considered to be in
9 *custodia legis* of the Court, and shall remain subject to the jurisdiction of the Court, until such
10 time as such funds shall be distributed pursuant to the Stipulation and/or further order(s) of the
11 Court.

12 12. All papers in support of the settlement, the Plan of Allocation, and the application
13 by Lead Counsel for attorneys' fees or reimbursement of expenses shall be filed and served
14 seven (7) calendar days before the Settlement Hearing.

15 13. Neither the Defendants nor their Related Parties shall have any responsibility for
16 or liability with respect to the Plan of Allocation or any application for attorneys' fees or
17 reimbursement of expenses submitted by Lead Counsel, and such matters will be considered
18 separately from the fairness, reasonableness and adequacy of the settlement.

19 14. At or after the Settlement Hearing, the Court shall determine whether the Plan of
20 Allocation proposed by Lead Counsel, and any application for attorneys' fees or reimbursement
21 of expenses shall be approved.

22 15. All reasonable expenses incurred in identifying and notifying Class Members, as
23 well as administering the Settlement Fund, shall be paid as set forth in the Stipulation. In the
24 event the settlement is not approved by the Court, or otherwise fails to become effective, neither
25 the Lead Plaintiff nor Lead Counsel shall have any obligation to repay any amounts actually and
26 properly disbursed from the Class Notice and Administration Fund.

27 16. Neither the Stipulation, nor any of its terms or provisions, nor any of the
28 negotiations or proceedings connected with it, shall be construed as an admission or concession

1 by Defendants or their Related Parties of the truth of any of the allegations in the Litigation, or of
 2 any liability, fault, or wrongdoing of any kind and shall not be construed as, or deemed to be
 3 evidence of or an admission or concession that Lead Plaintiff or any Class Members have
 4 suffered any damages, harm, or loss.

5 17. In the event that the settlement does not become effective in accordance with the
 6 terms of the Stipulation or the Effective Date does not occur, or in the event that the Settlement
 7 Fund, or any portion thereof, is returned to the Defendants, then this Order shall be rendered null
 8 and void to the extent provided by and in accordance with the Stipulation and shall be vacated
 9 and, in such event, all orders entered and releases delivered in connection herewith shall be null
 10 and void to the extent provided by and in accordance with the Stipulation.

11 18. The Court reserves the right to adjourn the date of the Settlement Hearing without
 12 further notice to the Members of the Class, and retains jurisdiction to consider all further
 13 applications arising out of or connected with the proposed settlement. The Court may approve
 14 the settlement, with such modifications as may be agreed to by the Settling Parties, if
 15 appropriate, without further notice to the Class.

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 17 Dated: _____

 18 THE HONORABLE CLAUDIA WILKEN
 19 UNITED STATES DISTRICT JUDGE
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Respectfully submitted,

Dated: February 28, 2008

SAXENA WHITE P.A.
MAYA SAXENA
JOSEPH E. WHITE III

By: _____/s/
JOSEPH E. WHITE, III

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Counsel for Lead Plaintiff and the Class

Dated: February 28, 2008

KAHN GAUTHIER SWICK, LLC
LEWIS S. KAHN

By: _____/s/
LEWIS S. KAHN

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Counsel for Plaintiff and the Class

Dated: February 28, 2008

BRAUN LAW GROUP, P.C.
MICHAEL D. BRAUN

By: _____/s/
MICHAEL D. BRAUN

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Liaison Counsel for Plaintiff and the Class

1 Dated: February 28, 2008

LATHAM & WATKINS LLP
PATRICK E. GIBBS
JENNIE FOOTE FELDMAN

2
3 By: _____/s/
4 PATRICK E. GIBBS

5 140 Scott Drive
6 Menlo Park, CA 94025
7 Tel: 650/328-4600
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Counsel for Defendants

9 Dated: February 28, 2008

MORGAN, LEWIS & BOCKIUS LLP
MICHAEL J. LAWSON
SHEILA A. JAMBEKAR

10
11 By: _____/s/
12 JOHN HEMANN

13 One Market
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Counsel for Defendant Ernst & Young LLP

18 *Filer's Attestation: Pursuant to General Order No. 45, Section X(B), Patrick E. Gibbs hereby*
19 *attests that concurrence in the filing of this document has been obtained.*
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